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Who Was Affected as the Economy Started to Slow?

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Who Was Affected as the Economy Started to Slow?

Abstract

[Excerpt] The labor market weakened considerably between late 2000 and the third quarter of 2001. Overall employment growth slowed, large job losses occurred in manufacturing, and the unemployment rate rose by 0.8 percentage point, from 4.0 to 4.8 percent. (See chart 1.) The data presented herein do not reflect the impact of the terrorist attacks of September 11. The labor market clearly had been weakening before the attacks, and those events exacerbated this weakness.

Even prior to the events of September 11, questions had arisen as to *who* had been adversely affected to the greatest degree. There is little doubt that many workers in manufacturing and related industries had lost jobs, and that those losses affected every major demographic group. But, were higher paid, highly skilled individuals affected to a greater extent than lower paid, less skilled workers?

Keywords

labor market, weakening, growth, job loss, Current Population Survey, employment, wages

Comments

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Who was affected as the economy started to slow?

The labor market weakened considerably between late 2000 and the third quarter of 2001. Overall employment growth slowed, large job losses occurred in manufacturing, and the unemployment rate rose by 0.8 percentage point, from 4.0 to 4.8 percent. (See chart 1.) The data presented herein do not reflect the impact of the terrorist attacks of September 11. The labor market clearly had been weakening before the attacks, and those events exacerbated this weakness.

Even prior to the events of September 11, questions had arisen as to *who* had been adversely affected to the greatest degree. There is little doubt that many workers in manufacturing and related industries had lost jobs, and that those losses affected every major demographic group. But, were higher paid, highly skilled individuals affected to a greater extent than lower paid, less skilled workers?

Data from the Current Population Survey indicate that, between third-quarter 2000 and third-quarter 2001, net employment declined only among job categories with mid-level earnings, largely reflecting the job losses in manufacturing. In the third quarter of 2001, employment also declined substantially in higher paid job categories. These findings are based on employment changes of occupation-industry categories that have been subdivided by their relative earnings into highest, middle, and lowest earnings groups.¹

¹ For a more detailed description of this methodology, see Randy E. Ilg, "The nature of employment growth, 1989-95," *Monthly Labor Review*, June 1996, pp. 29-36. Following methods employed earlier by Ilg, major occupation-industry pairs (such as professionals in manufacturing) were ranked in descending order by their median weekly earnings in 1996. The categories were then divided into three groups—highest, middle, and lowest earnings—each of which accounted for approximately one-third of employment in 1996. An employment time series for each occupation-industry category from January 1996 through September 2001 was developed, and data for the job categories were sorted into the appropriate earnings groups.

In recent years, employment in the highest earnings group has generally trended upward, and employment gains have far surpassed those in either of the other two earnings groups. (See chart 2.) In the third quarter of 2001, however, employment among higher paid workers fell by about half a million. Virtually all of the high-paying managerial and professional occupations are concentrated in this group. The highest earnings group also includes technical occupations in a variety of industries as well. Those most severely affected by the recent employment decline in the highest earnings group include managers in manufacturing and sales representatives in wholesale trade and in finance, insurance, and real estate.

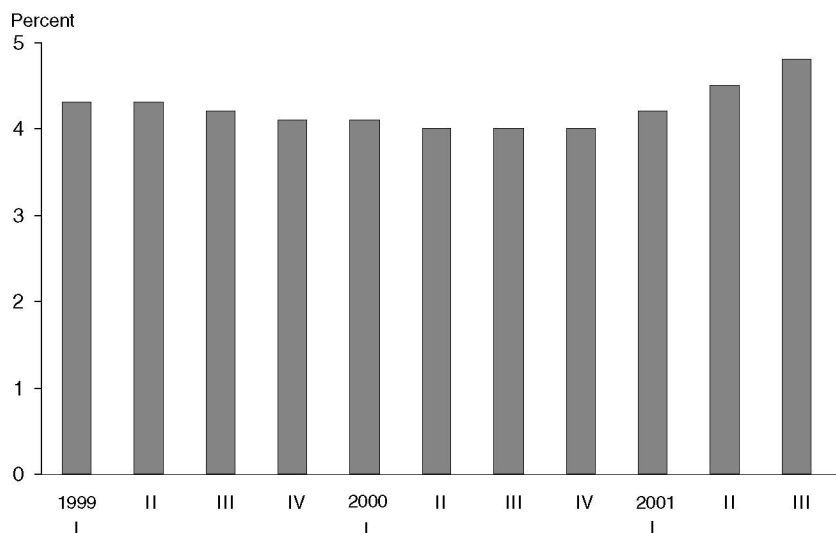
Employment in the middle earnings group had shown little net change during 1998 and 1999; it rose slightly from early to mid-2000. Since the third quarter of 2000, however, employment in the middle earnings group has trended downward, falling by about 900,000. Much of the employment decline in the middle

earnings group can be linked to substantial job losses among operators, fabricators, and laborers, as well as among skilled production workers and clerical personnel in manufacturing.

Employment in the lowest earnings group had generally trended upward in recent years, but has shown no clear trend since the fourth quarter of 2000. Sales and service occupations in retail trade and clerical and service occupations in the services industry account for a disproportionate share of employment in the lowest earnings group, and some erratic month-to-month movements have occurred in those job categories recently.

In summary, employment has declined in the highest earnings group since the second quarter of this year. In the middle earnings group, job losses have been continuous from last year and total about twice those in the highest earnings group. For both earnings groups, much of the employment decline appears to be associated with the downturn in manufacturing that began in mid-2000.

CHART 1. Unemployment rate, seasonally adjusted quarterly averages, 1999-2001



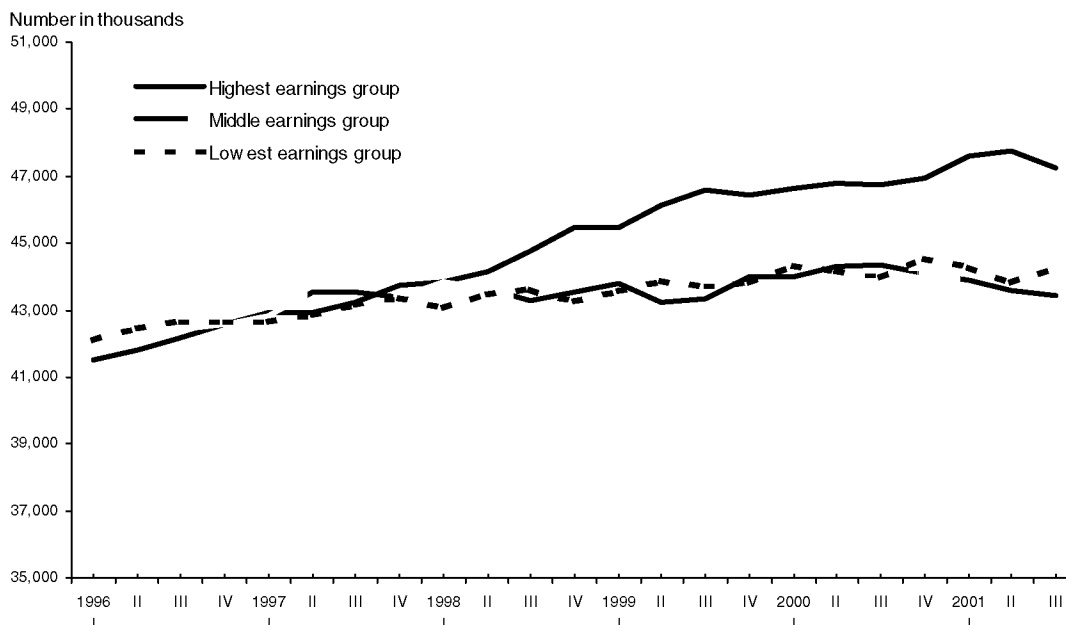
FOR ADDITIONAL INFORMATION on the impact of the recent slowdown on employment and a technical description of the Current Population Survey from which the data used in this report were derived, contact Randy E. Ilg,

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sory impaired individuals on request. Voice phone: (202) 691-5200; Federal Relay Service: 1-800-877-8339. The material is in the public domain and, with appropriate credit, may be reproduced without permission. ■

CHART 2. Employment growth by earnings group, first-quarter 1996 through third-quarter 2001, seasonally adjusted quarterly averages



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